

CALIFORNIA COASTAL COMMISSION

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Th7b

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COASTAL DEVELOPMENT PERMIT: REGULAR CALENDAR

Application Number..... 3-00-031 (Cypress Inn Addition)

Applicant Cypress Inn Investors, L.P. (Jim Heisinger, Agent)

Project location..... NE Corner of Lincoln and 7th Street, Carmel (APN 010-147-009), immediately north of existing Cypress Inn.

Project description Demolition of existing commercial/residential building; expansion of Cypress Inn onto demolition site; and transfer/retirement of water allocations, parking capacity, and residential and visitor-serving inn units to support Cypress Inn expansion.

	<u>Existing</u>	<u>Proposed</u>
Lot Area:	4,000 sf	4,000 sf
Gross Floor Area:	3,617 sf	5,738 sf
Building Coverage:	2,135 sf (53 %)	3,049 sf (76 %)
Landscaped Area:	1,865 sf	144 sf (4%)
Height above finished grade:		28 feet
LCP Status:	Uncertified LCP	
Plan Designation:	Central Commercial District	
Zoning:	C-1-C	

Approvals Received..... City of Carmel-by-the-Sea: Demolition, Design Review, Use Permit RE 98-21, DR 98-32, UP 98-32 (approved 8/11/00) for Demolition and Construction of Morgan Studio/Cypress Inn Addition; Historic Designation of Morgan Site HD 99-02 (approved 6/9/99); Use Permit UP



California Coastal Commission
December 14, 2000 Meeting in San Francisco
 Staff: C.K. Cuffe Approved by:

Application 3-00-031 Staff Report

Cypress Inn Addition

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00-03 (approved 6/14/00) for Full-Line Restaurant in Cypress Inn Addition; Historic Designation HD 98-03 (approved 5/17/99) for Cypress Inn; Historic Designation HD 98-02 (approved 6/9/99) for Holiday House; Design Specification DS 99-08 (approved 1/12/00) for Holiday House;.

File documentsCoastal Development Permit files 3-00-031 (Cypress Inn); City of Carmel-By-The-Sea uncertified Land Use Plan and Zoning Ordinance.

Staff recommendation ...**Approval with Conditions**

I. Summary

The proposed project includes the demolition of an existing 2-story, five-unit dwelling (the Morgan studio) and the construction of a new, 2-story, 5,738 sf addition to the Cypress Inn, located on the northeast corner of Lincoln and 7th Avenue, in the Central Commercial District of the City of Carmel-by-the-Sea. The new Cypress Inn addition will include six hotel units and a 60-seat full-line restaurant. Due to limited water supplies, the City of Carmel has growth control regulations limiting the number of motel rooms and residential units within the City limits. The project requires the transfer of water use credits, and residential and visitor serving inn units among several sites (including the Holiday House, Nielsen Building, Morgan Studio, Cypress Inn, El Paseo Building, and Pine Ridge Properties). These transfers will result in no net change in the amount of water use, number of residential units, or number of hotel units within the City limits. Although parking demand at the site is increased by two spaces, it is adequately mitigated for by payment of in-lieu fees for improved public parking. Additionally, the change in land uses associated with the other sites involved in this project reduces the overall parking demand in the area.

The existing residence to be demolished had been included in the City's Historic Resources Inventory, however, because of alterations and additions that have occurred over the life of the structure, it was determined that the project site and not the structure should be designated a historical resource on the basis of its association with Mary DeNeale Morgan. Ms Morgan was a noted California artist, who, among other things, was a founding member of The Carmel Club of Arts and Crafts. The existing Cypress Inn, located adjacent to the project site has been designated a significant historic resource due to, among other reasons, its cultural heritage, architectural distinction, and notable construction. The architectural style, scale and mass of the proposed Cypress Inn addition is compatible with that of the Cypress Inn, as well with general character of the Central Commercial District in which these two buildings are located. The project as proposed does not impact any visual resources, public access or recreational opportunities in the coastal zone. Although the project is not located in a known archeologically sensitive resources area, it does involve excavation of subsurface materials for construction of the basement floor.

Therefore, the project does not impact visual resources, community character, or coastal access, nor will it prejudice the completion of an LCP consistent with the Coastal Act. As conditioned to protect limited water supplies and potential sensitive archeological or paleontological resources that may be found on the parcel, the project is consistent with the policies of Chapter 3 of the Coastal Act.

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Exhibits

- A. Project Location Map
 - B. Project Vicinity Map
 - C. Assessor's Parcel Map Showing Project Site
 - D. Land Use Map of Downtown Carmel
 - E. Site Plans and Elevations for Proposed Project
 - F. Project Photographs
 - G. Historic Designation for Morgan Site
 - H. Use Permit for Cypress Inn Addition
 - I. Use Permit for the Bistro Restaurant at Cypress Inn
 - J. Existing Parking Spaces in Vicinity of Cypress Inn
 - K. Parking Analyses from Higgins Associates May 19, 2000 Study
 - L. Water Credit Transfers Required for Project
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II. Staff Recommendation on Coastal Development Permit

The staff recommends that the Commission, after public hearing, **approve** the proposed project subject to the standard and special conditions below. Staff recommends a **YES** vote on the motion below. A yes vote results in approval of the project as modified by the conditions below. The motion passes only by affirmative vote of a majority of the Commissioners present.

***Motion:** I move that the Commission approve Coastal Development Permit Number 3-00-031 subject to the conditions below and that the Commission adopt the following resolution:*

Staff recommends a **YES** vote.

***Approval with Conditions.** The Commission hereby grants a permit for the proposed development on the grounds that the development as conditioned is consistent with the requirements of Chapter 3 of the California Coastal Act of 1976 (Coastal Act), will not prejudice the ability of the City of Pacific Grove to prepare a local coastal program conforming to Chapter 3 of the Coastal Act, and will not have any significant adverse effects on the environment within the meaning of the California Environmental Quality Act (CEQA).*

III. Conditions of Approval

A. Standard Conditions

- 1. Notice of Receipt and Acknowledgment.** The permit is not valid and development shall not commence until a copy of the permit, signed by the permittee or authorized agent, acknowledging receipt of the permit and acceptance of the terms and conditions, is returned to the Commission office.
- 2. Expiration.** If development has not commenced, the permit will expire two years from the date on which the Commission voted on the application. Development shall be pursued in a diligent manner and completed in a reasonable period of time. Application for extension of the permit must be made prior to the expiration date.
- 3. Interpretation.** Any questions of intent or interpretation of any condition will be resolved by the Executive Director or the Commission.
- 4. Assignment.** The permit may be assigned to any qualified person, provided assignee files with the Commission an affidavit accepting all terms and conditions of the permit.

5. **Terms and Conditions Run with the Land.** These terms and conditions shall be perpetual, and it is the intention of the Commission and the permittee to bind all future owners and possessors of the subject property to the terms and conditions.

B. Special Conditions

1. **Incorporation of City's Conditions.** The findings and conditions adopted by the City of Carmel for the use permits (UP 98-32 and UP 00-03) associated with this project, attached to this permit as Exhibits H and I; are hereby incorporated as conditions of this permit.

Any revision or amendment of these adopted conditions and mitigation measures or of the project plans as approved pursuant to the City's review procedures shall not be effective until reviewed by the Executive Director for determination of materiality, and if found material, approved by the Commission as an amendment to this coastal development permit.

2. **Final Project Plans.** PRIOR TO ISSUANCE OF PERMIT, the permittee shall submit the following for the Executive Director's review and approval:

- (a) Final project plans including site plan, floor plans, and elevations.
- (b) A final landscaping plan showing walkway paving improvements, plantings and any irrigation or drainage improvements required for the landscaping plan.
- (c) Submittal of final project plans shall include evidence of review and approval by the Historic Preservation Committee and the City of Carmel Planning Commission for landscape, colors, and exterior lighting.

3. **Relocation or Salvage.** PRIOR TO COMMENCEMENT OF REMOVAL OR DEMOLITION OF THE EXISTING STRUCTURE, permittee shall submit, for review and approval by the Executive Director, the following measures to implement relocation or salvage:

- (a) Documentation that arrangements have been made to move the existing building to another location within the City; or,
- (b) If relocation is not feasible, then documentation of the structure shall be completed in accordance with the Secretary of Interior's (HABS) standards; and, a materials salvage plan shall be prepared. Such plan shall provide for identification, recovery and reuse of all significant exterior architectural elements of the existing building that can be feasibly incorporated in new construction on or off site. To the extent salvageable materials exceed on-site needs, they may be sold, exchanged or donated for use elsewhere (with preference for recipients proposing reuse within Carmel). The plan shall specify that salvageable materials not used on site, sold or exchanged shall be offered without charge, provided recipient may be required to bear the cost of removal. Unsound,

decayed, or toxic materials (e.g., asbestos shingles) need not be included in the salvage plan. The plan shall include a written commitment by permittee to implement the plan.

Relocation shall not be deemed infeasible unless: 1) a Licensed Historical Architect, Licensed Historical Contractor, or equivalent qualified expert has determined that relocation of the structure would not be feasible, or if feasible, would not result in worthwhile preservation of building's architectural character; or, 2) it has been noticed by appropriate means as available for relocation, at no cost to recipient, and no one has come forward with a bona fide proposal to move the existing structure within a reasonable time frame (i.e., within 60 days from date of first publication and posting of availability notice). Such notice of availability shall be in the form of a public notice or advertisement in at least two local newspapers of general circulation (at least once a week for four weeks), as well as by posting on the site and by other means as appropriate.

Submitted salvage plans shall be accompanied by a summary of all measures taken to encourage relocation, copies of posted notice, text of published notices/advertisements, and evidence of publication, along with a summary of results from this publicity, a list of relocation offers (if any) that were made and an explanation of why they were not or could not be accepted.

4. **Grading and Spoils Disposal.** PRIOR TO ISSUANCE OF PERMIT, the permittee shall submit to the Executive Director for review and approval two sets of grading plans that shall identify the disposal site for excess excavated spoils, if materials are to be disposed of in the coastal zone. Disposal site and methods employed shall be subject to review and approval by the City of Carmel Director of Community Planning and Building and the Executive Director.
5. **MPWMD Permit Compliance.** PRIOR TO ISSUANCE OF PERMIT, permittee shall present evidence to the Executive Director documenting compliance with conditions for approval of water transfer credits from Monterey Peninsula Water Management District (MPWMD) including submission of copies of legal instruments for each property providing water transfer credits as required by the MPWMD.
6. **Archaeological Mitigation.** Should archaeological resources be discovered at the project site during any phase of construction, the permittee shall stop work within 150 feet of the find until it can be evaluated by a qualified professional archaeologist. If the find is determined to be significant, an appropriate mitigation plan shall be prepared and implemented by a qualified professional archaeologist, following the recommendations included in the *Preliminary Archaeological Reconnaissance* of the site prepared by Archaeological Consulting, dated December 21, 1999. The mitigation plan shall be submitted for review and approval by the Executive Director of the Commission prior to implementation. A report verifying compliance with this condition shall be submitted to the Executive Director for review and approval, upon completion of the approved mitigation.

IV. Recommended Findings and Declarations

The Commission finds and declares as follows:

A. Project Description and Background

The proposed project includes the demolition of an existing residential/commercial structure (the Morgan studio) on the site north of the existing Cypress Inn, and the construction of a new, 2-story, 5,738 sf addition to the Cypress Inn, located on the northeast corner of Lincoln and 7th Avenue, in the City of Carmel-by-the-Sea (see Exhibits A and B). The structure to be demolished is located on a 4,000 square foot parcel (Lot 16, of Block 75) in the Central Commercial District (Exhibit C). The existing Cypress Inn Building is located immediately south of the project site (Lots 18, 20 and 22 of Block 75) within the Residential/Limited Commercial Land Use District (Exhibit D).

As proposed, the new Cypress Inn addition will include seven visitor-serving inn units and a 60-seat, full-line restaurant (Exhibit E). Six of the visitor-serving inn units would be located on the upper (second) floor and one guest unit would be located on the main (first) floor. The proposed 60 seat restaurant, the Bistro at Cypress Inn, will occupy most of the ground floor, with both indoor and outdoor seating (44 seats available for inside dining and 16 seats available for outside dining on the courtyard patio). Kitchen and storage facilities related to the restaurant would occupy the basement floor, to be excavated as part of the new construction. As proposed, the project will expand the amount of commercial space in the structure from 2,112 f to 5,738 sf.

The existing structure contains 2,112 sf of commercial space and 1,505 sf of residential space. Photos of the project site are included in Exhibit F. The new 5,738 sf addition would consist of a 700 sf ground floor (basement) to include kitchen and storage areas, a 2,488 sf main floor to include 1,971 sf of restaurant space and a 517 sf hotel unit, and 2,550 sf upper floor to include six hotel units (Exhibit E). Existing building coverage on the site is 2,135 square feet with 1,865 square feet of landscaping. As proposed, the total building coverage for the new Cypress Inn addition would be approximately 3,049 square feet, with 951 square feet of landscaping. Improvements to the public right of way, including planters and landscaping trees, are also included as part of the project design.

As the City's ordinances limit the number of hotel/motel units in the City, and require no net loss of residential or affordable housing units, the project involves a number of residential and hotel unit transfers to balance the change in land use that would result from the project. These transfers include transfer of the five residential units currently located at the Morgan site to the Nielsen building located on the southwest corner of Lincoln and 7th, the transfer of six inn units from the Holiday House Bed and Breakfast (located on the west side of Camino Real Street between Ocean and 7th Avenues) to the new Cypress Inn addition, the transfer of one existing Cypress Inn unit to the new Cypress Inn addition, the interior remodel of a portion of the existing Cypress Inn

building, and the interior remodel of the Holiday House to a single family dwelling following the transfer of the six inn units to the new Cypress Inn addition. Exhibit B shows the relationship of these sites to the project. The project also requires a transfer of water credits and parking demands from a number of sites in the area based on changes in use at various sites. These sites include the Holiday House, the Nielsen Building, the Zig-Zag Restaurant (a former 38-seat restaurant located on the east side of Mission Street between Fifth and Sixth Avenues), and the El Paseo Building (a former beauty salon located on the northeast corner of Dolores and 7th Avenue).

As part of the project, the applicants have voluntarily sought and received designation of the Cypress Inn, the Holiday House and the Morgan site as locally significant historic resources. The Planning Commission approved these historic designations in May and June of 1999 (See Exhibit G for Morgan Site Designation).

The Planning Commission approved the Demolition (RE 98-21), Design Review (DR 98-32), and Use Permit (UP 98-32) for the Cypress Inn addition on August 11, 1999 (Exhibit H). The Planning Commission's approval of the Cypress Inn addition was appealed to the Carmel City Council by the Church of the Wayfarer and Ms. Dana Little, on November 2, 1999, due to issues regarding parking demand and height and setback variances granted to the project. The Planning Commission's approval of the project was upheld by the City Council following the public hearing. The Planning Commission subsequently approved the Use Permit (UP 00-03) for the 60-seat Bistro Restaurant on June 16, 2000 (Exhibit I).

B. Standard of Review

The City of Carmel-by-the-Sea is located entirely within the coastal zone but does not yet have a certified LCP. The Commission approved a Land Use Plan (LUP) and an Implementation Plan (IP) at different times in the early 1980s, but the City did not accept the Commission's suggested modifications. Thus, both the LUP and the IP remain uncertified. Until the Commission has certified the entire LCP submittal, the Commission retains coastal permitting authority over development within the City, for which the standard of review is the Coastal Act of 1976.

The Commission has authorized a broad-ranging categorical exclusion within the City of Carmel (Categorical Exclusion E-77-13) that excludes from coastal permitting requirements most types of development not located along the beach and beach frontage of the City. The proposed development, however, is not excluded under Categorical Exclusion E-77-13 because (1) it involves the demolition of an existing structure, (2) it requires variances greater than 10% of the applicable standards under the City's Zoning Ordinance, (3) the project does not comply with parking requirements of the zoning ordinance without exception or variance, and (4) the project involves structures with historical significance, as defined by the Monterey County Historical Society.

C. Issues Discussion

1. Community Character and Visual Resources

The Coastal Act requires that the special character of communities such as Carmel be protected. Sections 30251 and 30253(5) of the Act state:

***Section 30251.** The scenic and visual qualities of coastal areas shall be considered and protected as a resource of public importance. Permitted development shall be sited and designed to protect views to and along the ocean and scenic coastal areas, to minimize the alteration of natural land forms, to be visually compatible with the character of surrounding areas, and, where feasible, to restore and enhance visual quality on visually degraded areas....*

***Section 30253(5).** New development shall where appropriate, protect special communities and neighborhoods, which, because of their unique characteristics, are popular visitor destination points for recreational uses.*

The City of Carmel is a very popular visitor destination as much for the style, scale, and rich history of its residential, commercial, and civic architecture, as for its renowned shopping area, forest canopy and white sand beach. The City of Carmel is considered a “special community” under the Coastal Act due to its unique architectural and visual character. It is often stated that Carmel, along with such other special coastal communities as the town of Mendocino, is one of the special communities for which Coastal Act Section 30253(5) was written. Indeed, Carmel has been, and remains today, a spectacular coastal resource known the world over as an outstanding visitor destination as much for the character of its storied architecture, as for its renowned shopping area and white sand beach. In part, Carmel is made special by the character of development within City limits as various architectural styles present reflect the historical influences that have existed over time.

As described above, the project site is located adjacent to the existing Cypress Inn, a Spanish-style, two-story hotel constructed of reinforced concrete and stucco, and built in 1929 (see Photos in Exhibit F). The proposed development is intended as an addition to the existing Inn, which was designated a historically significant resource in May/June 1999.

Demolition of Morgan studio-home.

The structure to be demolished, known as the Morgan studio, was previously owned by Mary DeNeale Morgan (1868-1948), a noted California artist, who, among other things, was a founding member of The Carmel Club of Arts and Crafts and its associated summer school of art; the Forest Theater; the Carmel Art Association, and the All Saints Episcopal Church.

The original structure one room wooden structure (built ca. 1904), was purchased by Ms Morgan shortly after its completion and moved from Ocean Avenue to the present day site, ca 1909-1910.

During her lifetime, Ms Morgan modified and enlarged the original structure numerous times, as indicated by the permit record (Exhibit G) for the property.

The Morgan studio-home had been previously been included in the City's List of Historically significant resources based on a 1997 evaluation that described the building's residential architecture as historically significant. However, a more recent evaluation of the building, conducted by Kent Seavey April 14, 1999, determined that because "alterations and additions over time... have all but obliterated the original character defining qualities of the structure." it was not the structure but the site that was of historical significance due to its association with a historical figure, Ms. Mary DeNeale Morgan.

As described by the April 14, 1999 historic evaluation, the existing building is described as follows:

A rectangular cottage, built high above the street level, allowing for a shop below. There is a 2nd story addition in the rear. The cladding is long shingles, painted, and the roof has a low front gable, covered with composition shingles. Wide overhangs, exposed rafters, and a shed roof over and extension to the south complete the roof line. A glass front door opens on a porch covered by a shed roof supported by square posts. A large brick chimney is against the front wall, but is partly hidden by a display window built right on the porch. Windows are casement. A chalkrock wall separates the small front yard from the street. This house has been extensively remodeled.

In addition, the historic evaluation states that:

The site of the studio-home of artist Mary DeNeale Morgan is significant under National Register Criterion A (History), for Ms. Morgan's many contributions to the cultural development of Carmel during her forty-plus years of residency between 1903 and 1948. Ms. Morgan was a noted California artist who was "vigorously active with her own painting as well as cultural and civic affairs."...Alterations and additions over time to the Morgan studio-home have all but obliterated the original character defining qualities of the structure.

The staff review for historic designation of the site (HD 99-02; dated June 9, 1999) noted that "...her extraordinary contributions to artistic development distinguish Ms Morgan and represent the threshold of significance adopted by the city in the General Plan." Following the Historic Preservation Committee's review and unanimous recommendation for historic designation, the Planning Commission adopted an updated DPR 523 Form and designated the site as a local historic resource on June 9, 1999. According to the City's August 1999 findings for the Cypress Inn addition, the Historic Preservation Committee and the Planning Commission found that while the Morgan site was historically significant, the existing structure on the Morgan site did not meet the thresholds for significance based on CEQA or the City's Historic Preservation Ordinance.

The City's Use Permit for the Cypress Inn addition (Exhibit H), however, does include two special conditions to preserve the cultural resources of the site. Special Condition # 22 of the City's use permit requires the applicant to conduct professionally photo-document the entire Morgan studio and the north wall of the existing Cypress Inn prior to any demolition or construction. Additionally, Special Condition #23 of the City's use permit requires that the new addition include a memorial indicating the historical significance of the site, with an educational display on the life and artistic contributions of Mary DeNeale Morgan to be permanently mounted on or in the Cypress Inn addition. The applicant has also agreed to conduct a HABS (Historic American Building Survey) level II photographic survey, to be placed on record at the Harrison Memorial Library, and has been working with Kent Seavey to develop the Morgan site memorial display (Exhibit G).

Proposed Cypress Inn Addition.

As described by the City's August 11, 1999 staff report, the proposed Cypress Inn addition has been designed to be architecturally compatible with the existing Cypress Inn structure. The addition has been designed with a Spanish Eclectic architectural style (also referred to as Spanish Mission style) which includes stucco exterior surfaces, tile roof, open cantilevered balconies, an asymmetrical façade and multiple-paned rectangular glass windows and doors (Exhibit E). The height of the proposed structure would be approximately 28 feet, which is three feet lower than the height of the existing Cypress Inn, but two feet higher than the City's municipal zoning code allows. The addition is dissimilar from the existing Cypress Inn only in that, as described by the City's staff report, it is smaller in size and scale, and appears to contain less of the "unique ornamentation and hand-made qualities found on the existing Cypress Inn" structure. However, the staff report notes that the proposed design is consistent with guidelines for the rehabilitation and alterations of historic structures which require that additions to historically significant structures be differentiated from the older structure and compatible with its mass, size, scale, and architectural features. While somewhat smaller in size and scale, the new addition is still compatible with that of the older structure. Architectural features, like the existing one-story arched entry, are also repeated in the new addition (e.g., the street level doorways) as a way of integrating the architectural style of the two structures.

In exchange for historical designation of the Cypress Inn, Holiday House and Mary DeNeale Morgan site the applicant was granted exceptions from the City's zoning standards for certain elements of the project. As shown in Table 1, exceptions were granted for maximum height, number of stories, maximum site coverage, maximum floor area, minimum open space, minimum parking and minimum landscaping.

The City determined that with the granting of these exceptions, the proposed structure will be more in character with the architecture of the Cypress Inn than the existing Morgan studio, which is also in non-conformance in regards to floor area, parking and landscaping. None of the exceptions granted will cause a significant impact to visual resources in the area, as the project is located in the core of the Commercial District and will be subordinate to the adjacent Cypress Inn structure.

Table 1. Cypress Inn Addition – Zoning Exceptions Granted by City of Carmel for Historic Designation of Cypress Inn, Holiday House and Mary DeNeal Morgan site.

Lot Area	Allowed/Recommended by Zoning Ordinance	Proposed	Exception
Building Coverage	2,800 sf (70%)	3,049 sf (76%)	+ 6%
Floor Area	3,200 sf (80%)	5,738 sf (143%)	+ 63%
Open Space	1,200 sf (30%)	934 sf (23%)	- 7%
Landscaping	480 sf (12%)	144 sf (4%)	- 8%
Height	26 ft	28 ft	+ 2 ft
Parking*	10.45 spaces	0 spaces	-8.5**
* the existing site is non-conforming and currently has an 8.5-space deficit. 1.95 space net increase to be mitigated by in-lieu fees.			
** 8.5 space deficit from previous use; continued deficit approved by City of Carmel.			

Relocation or Salvage.

The structure proposed for demolition, through both architectural style and historical attributes does evoke a sense of the Carmel character. (See attached Exhibit F for illustration of the existing structure, and Exhibit E for site plan and elevations of the replacement structure.) The loss of the existing structure can be mitigated, in part, through relocation elsewhere within Carmel.

Suitable sites for relocation are relatively scarce within Carmel. While the supply of relocation-worthy structures is likely to substantially outpace the availability of receiver sites within City limits, such relocations from time to time are in fact accomplished in Carmel. A recent example is the Door House, which at its new location will serve as a guest unit. Even though its original specific context is changed, a certain level of mitigation is achieved because the relocated structure is retained within its overall community context.

The likelihood of a successful relocation can be improved by publicizing the availability of the structure that is proposed for demolition. And, in those instances where relocation is not feasible or no qualified recipients come forward, at least parts of the structure can nonetheless be salvaged and eventually incorporated in other structures in Carmel¹.

¹ What if the permit is conditioned to require that the building be offered for relocation or salvage, but there are no takers for reuse within Carmel? The usual demolition expedient is destruction and removal to the

At present, there is no formal relocation or salvage program in Carmel. Informal and commercial channels are already available in the region (e.g., Carmel has at least one shop [Off the Wall] that specializes in salvaged architectural details, and Capitola has the Recycled Lumber Company). There is discussion of a regional program for the Monterey Peninsula area, which would facilitate not only the reuse of structures in Carmel but also support existing programs such as that already in place in the neighbor city of Pacific Grove.

Conclusion.

The proposed development, with the exceptions granted by the City, does enable the project to be visually compatible with the existing Cypress Inn structure as well as with the character of surrounding areas in the City of Carmel-by-the-Sea. The proposed structure will not adversely impact any public views or visual resources. The historical designations granted to the Cypress Inn, Holiday House and Morgan site, also serve to protect the historical character of these unique locations. The special conditions of the use permits, which require photo-documentation of the Morgan studio and a memorial tribute of Mary DeNeal Morgan on or in the new Cypress Inn addition, serves to preserve the cultural influences associated with the Morgan site. Additionally, to the extent that salvaged materials will find their way back into new construction in Carmel, the requirement to prepare a relocation/salvage plan will provide a limited form of mitigation for impacts on Carmel's community character. Considering existing and future avenues for relocating or recycling older buildings, such measures appear appropriate and feasible. Accordingly, as conditioned to incorporate local conditions for historic documentation and tribute of the site's association with a historic figure, and to prepare a relocation/salvage plan for the existing structure, the project is found to be consistent with Sections 30251 and 30253(5) of the Coastal Act.

2. New Development

The Coastal Act requires that new development be located where it will not have significant adverse effects on coastal resources. Section 30250(a) of the Act states:

***Section 30250(a).** New residential, commercial or industrial development... shall be located within, contiguous with, or in close proximity to existing developed areas able to accommodate it... and where it will not have significant adverse effects, either individually or cumulatively, on coastal resources.*

The Coastal act also considers development for commercial visitor serving facilities a priority use. Section 30254 of the Act states that:

nearest landfill. The Coastal Act contains no specific direction regarding structural relocation or salvage of existing buildings. Nonetheless, relocation and salvage would support other Statewide public policy efforts to provide affordable housing, conserve valuable materials, avoid placing unnecessary materials into the wastestream and minimize energy consumption. Therefore, while the purpose of such a condition would clearly be to protect Carmel's character, the public offering and thoughtful disposition of the structure would also serve the broader public interest-- whether or not relocation is achieved within Carmel in any given instance.

Section 30254....Where existing ... public works facilities can accommodate only a limited amount of new development, services to coastal dependent land use, essential public services and basic industries vital to the economic health of the region, state, or nation, public recreation, commercial recreation, and visitor-serving land uses shall not be precluded by other development.

Land Use.

The site is located near the City's Central Commercial District, approximately one block south of Ocean Avenue. The proposed development would be located in a previously developed area adjacent to existing commercial development. The site is currently developed with a 3,617 sf commercial/residential apartment building, that includes 1,505 sf of residential space occupied by five rental units and 2,112 sf of commercial floor area. As proposed, the new structure will replace these uses with 5,738 sf of visitor serving commercial space (3,067 sf of hotel space and 2,671 sf of restaurant space). The proposed uses are consistent with the visitor serving use and function of the existing Cypress Inn and with the uses allowed in the Central Commercial District, based on the City's zoning ordinance.

While the Morgan studio has had varied uses in the past (including home, art studio, gallery, and boarding house) it had been used most recently for commercial space and rental housing. The City's Municipal Code allows demolition of structures that serve as affordable housing for low or moderate income residents only if replaced with new affordable housing elsewhere in the community. As proposed, the project requires the transfer of four of the five residential dwelling units from the Morgan studio to the existing Nielsen building. Transfer of these units requires only interior remodeling work to replace a portion of available commercial space in the Nielsen building. The City has conditioned the use permit for this part of the project so that the five transferred units continue to be rented either as affordable housing or senior housing, thereby ensuring that the project result in no net loss of affordable housing.

In addition to affordable housing units, the City's Code has a cap on the number of hotel units that can be provided within the City limits. The project therefore proposes to transfer visitor serving inn units so that no net increase will occur as a result of the project. The project will transfer the six visitor serving inn units from the Holiday House Bed and Breakfast, located on the west side of Camino Real Street between Ocean and 7th Avenues, to the new Cypress Inn addition. A seventh inn unit will be transferred from the existing Cypress Inn to the new Cypress Inn addition, to allow for the remodeling of the existing Cypress Inn lobby/entrance. Following the transfer of inn units from the Holiday House, the fifth residential unit from the Morgan site will be transferred to the Holiday House, in conformance with the current Residential R-1 zoning designation for that site.

The project also increases the amount of space available for commercial visitor serving facilities on the site, and will include construction of a full-line restaurant on site thereby increasing the dining opportunities available to the visiting public as well as to the local community.

Parking.

According to the City's staff report (8/11/99) the existing site is nonconforming in terms of parking, based on the City's Municipal Code. The City's Code requires one parking space for every apartment and motel unit in the commercial district and one parking space for every 600 feet of commercial floor space. No further distinction is made in the parking ordinance as to type or intensity of commercial use. While the City's parking ordinance (17.34.020) requires that new buildings or any substantial replacement or reconstruction of existing buildings provide all parking required, Ordinance 17.34.030.A. states that on-site parking is prohibited in the Central Commercial District. In such cases, the parking requirements allow for the payment of fees to the City's in-lieu fee program.

Based on the City's parking requirements, the Morgan site currently has a deficit of 8.5 parking spaces (3.5 spaces for 2,112 sf of commercial space and 5 spaces for residential apartments). The proposed project, with six hotel units (the seventh an existing Inn unit) and 2,671 sf of commercial space would require 10.45 parking spaces (6+ 4.45 spaces). The net increase in parking for the new addition is 1.95 parking spaces. Since on-site parking is prohibited in the Central Commercial District, the City of Carmel has granted the applicant an exception to maintain the existing deficit of 8.5 spaces and has required the applicant pay in-lieu fees of \$53,664 for the net 1.95 space increase in parking required by the project. Monies collected by the City from the in-lieu parking fee program are placed in a specific fund and used only to acquire and/or develop off-street parking for the public in or near the business district. Therefore, the mitigation required by the City ensures that adequate public parking will be provided by the project.

As part of the use permit application for the Bistro Restaurant, Higgins Associates conducted a parking study to evaluate the parking demand/supply impacts of the project. According to the parking study, dated May 16, 2000, the public streets provide the common parking area in downtown Carmel and so are considered in the overall parking supply for the downtown businesses (see Exhibit I). The City uses street parking as a marketing strategy to encourage pedestrians to walk by the many storefronts and shop among the different downtown businesses. This parking strategy spreads the requirement of parking for downtown business throughout the Central Commercial District.

The parking study concludes that the proposed project, with accompanying modifications at the Holiday House, Nielsen Building and Zig Zag Restaurant will result in a net beneficial impact in area-wide parking conditions. The study analyzes parking requirements based on both City parking ordinance requirements and Institute of Traffic Engineers (ITE) parking requirements as shown in the Tables in Exhibit J. In each analysis, the traffic study shows that although a deficit number of parking spaces would result from the proposed project, the project with modifications to the various structures involved would reduce the deficit number of parking spaces in both cases. As shown in Exhibit J, the project would result in a reduction of between 9 and 11 deficit parking spaces, based on the City's parking ordinance and ITE requirements, respectively. The study concludes that this improvement in the parking supply/demand relationship at these various sites more than offsets the net increase in parking demand at the project site.

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Since the project has been found to reduce the overall number of deficit parking spaces, it will result in a net benefit to the parking demand in the downtown area. Additionally, as conditioned by the City to pay in-lieu fees for the net increase in parking demand, the project adequately mitigates for the potential parking impacts of the project and serves to fund the acquisition and/or development of additional public parking within the Central Commercial District.

Water.

The Monterey Peninsula Water Management District (District) is the governing authority for water allocation and major supply facilities on the Monterey Peninsula while water service is provided by the California American Water Company (Cal-Am). Cal-Am provides water to its users through groundwater extractions and diversions from the Carmel River via the Los Padres Dam. Both of these sources are currently being utilized near or above their sustainable yield. Two threatened species, the California red-legged frog (*Rana aurora draytonii*) and the Steelhead (*Oncorhynchus mykiss*), are found in the Carmel River. In 1983 the District allocated 20,000 acre feet of water per year for the entire district area; an amount assumed to be sufficient to meet district needs until the year 2000. However, in the intervening years the water situation has changed greatly in the Monterey area. The State Water Resources Control Board has issued an order limiting the amount of pumping that Cal-Am can do from the Carmel River, not to exceed 11,285 af/yr.

The Monterey Peninsula Water Management District (MPWMD) allocates water to all of the municipalities on the Monterey Peninsula. Each municipality distributes its share of water allocated to various categories of development, such as residential, commercial, industrial, etc. According to City staff, there is no more water remaining in the City's allocation for new uses. However, water transfers between existing uses commercial uses are permitted by the MPWMD. Such transfers are determined based on detailed water use formulae, depending on type of use.

According to the MPWMD staff report for approval of water use credit transfer requests (for July 17, 2000 hearing), the Cypress Inn addition will require an additional 1.28 acre feet of water above the 0.603 acre feet of water currently provided to the Morgan site. (The existing Cypress Inn and Morgan site use a total of 4.563 acre feet per year. With the proposed addition and restaurant, water use has been calculated to be 5.843 acre feet per year.) While expansion of the Cypress Inn can be considered an intensification of use, based on the increased water required, the project would not result in a net increase of water use because it relies on a transfer of existing water credits from four different sites (see Table 2). These water transfer credits would be added to the 0.603 AF of water currently provided to the Morgan site (Exhibit K).

The MPWMD has approved the following water credit transfers for the project: 0.451 acre feet from the Pine Ridge Properties (former 38-seat restaurant), 0.175 acre feet from the El Paseo Building (former 5-seat beauty salon), 0.230 acre feet from the Nielsen Building (due to changes in use), and 0.424 acre feet from the Holiday House (change from 7-unit B&B to single family residential use). The MPWMD Board approved the water credit transfer of from the Holiday House on June 19, 2000, and approved the water credit transfers from the Nielsen Building, Pine Ridge Properties, and El Paseo Building on July 17, 2000. The MPWMD permits have ensured

that these four sites retain adequate water credits to allow for some reduced future use of each site. The water transfer permits also require “recordation of a deed restriction signed by the originating site’s owner(s) confirming that the transfer of water credit is irrevocable and acknowledging that any intensification of water use on the site is subject to the availability of water and potential permit fees” prior to the actual transfer of water use credits.

Table 2. Water-Use and Water Credit Transfers Approved for Proposed Cypress Inn Addition.

Building Site	Use	Originally Approved Water Credit	Approved Water Credit Transfer	Resulting Water Credit to Remain
Morgan Studio	5 residential apartment units	0.603 AF	Continued use	0.603
Pine Ridge Properties	Former 38-seat restaurant	0.689	0.451	0.202*
El Paseo Bldg	Former 5-station beauty salon	0.217	0.175	0.034*
Nielsen Bldg	Residential/retail	0.271 (from changes in use)	0.230	0.035*
Holiday House	7 room B&B to be converted to SFD	0.499	0.424	0.064*
Existing Cypress Inn and Morgan Site	Inn and Residential/retail	4.563	-	4.563
With Proposed Addition	6 additional inn units and 60-seat restaurant		1.280 from total transferred	5,843

* 15% of each water credit transfer is retained by the MPWMD for water conservation savings. New uses for these sites will be limited to the available water credits that remain, based on MPWMD projected capacity for water use.

Conclusion.

The proposed land use is consistent with the uses allowed in the Central Commercial District and the hotel and residential transfers proposed by the project serve to bring the land uses on each site associated with the project into conformance with the City's Municipal Code. With required mitigation measures for increased parking demand created by the expansion of commercial use of the site, the project will be able to be accommodated within an existing developed area and will not have significant adverse effects on coastal resources. The permit has also been conditioned to comply with conditions for approval of water transfer credits from Monterey Peninsula Water Management District (MPWMD) and to provide documentation of the legal instruments required of each property providing water transfer credits for the project. Accordingly, the project is found to be consistent with Sections 30250(a) and 30254 of the Coastal Act.

3. Public Access

Public Access policies of the Coastal Act require the protection of public access to the shoreline and recreational opportunities and resources within the coastal zone, including commercial visitor serving facilities. Section 30210, 30211, and 30212.5 of the Coastal Act states:

***Section 30210.** In carrying out the requirement of Section 4 of Article X of the California Constitution, maximum access, which shall be conspicuously posted, and recreational opportunities shall be provided for all the people consistent with public safety needs and the need to protect public rights, rights of private property owners, and natural resource areas from overuse.*

***Section 30211.** Development shall not interfere with the public's right of access to the sea where acquired through use or legislative authorization...*

***Section 30212.5.** Wherever appropriate and feasible, public facilities, including parking areas or facilities, shall be distributed throughout an area so as to mitigate against the impacts, social and otherwise, of overcrowding or overuse by the public of any single area.*

As described above, on-site parking is prohibited in the Commercial District. The City uses street parking instead as a way to encourage pedestrian traffic and patronage of downtown businesses. This parking strategy spreads the requirement and supply of parking for downtown business throughout the Central Commercial District. As described previously, the traffic study conducted for this project (Higgins and Associates, May 16, 2000) concludes that the proposed project, with accompanying modifications at the Holiday House, Nielsen Building and Zig Zag Restaurant will result in a net beneficial impact in area-wide parking conditions.

Because a fixed amount of on-street parking is available in the Central Commercial District, visitors are sometimes required to seek available parking within the adjacent neighborhoods. The nature of the problem is thus that there is a comprehensive parking problem in Carmel that would be best served by completion of Carmel's Local Coastal Program. However, while parking is

expected to remain tight in and around the downtown area, public parking is currently still accommodated through displacement into surrounding neighborhoods and through the in-lieu fee program. Funds collected by the in-lieu fee program are used to acquire and/or develop additional off-street parking for the public in or near the business district.

The project site is located approximately 6 to 7 blocks inland from the ocean (Exhibit A). Because of this, it is unlikely that the project would interfere or restrict public access at or along the coast, since patrons of the Cypress Inn would not likely park at such a distance from their intended destination. Although several routes can access Carmel Beach, the primary public access route from Highway One to Carmel Beach is via Ocean Avenue. As the project does not increase the number of visitor serving inn units in Carmel, it is not expected to increase demand on these public access routes such that it would impact access to the beach, nor will the project restrict or otherwise negatively impact public parking along the coast².

As the project is to be located on a previously developed site within the urban core of the Central Commercial District, it would not impact any recreational facilities or opportunities along the coast. Because the project includes concurrent changes in the use of the Holiday House, Nielsen Building, El Paseo Building and Zig Zag Restaurant as described in the traffic study, the permit has been conditioned to present evidence that future use of these properties will continue to be limited unless and until additional parking supplies are available. Accordingly, the project will not impact public access or recreational opportunities at or along the coast, and as conditioned, is consistent with the Sections 30210, 30211, and 30212.5 of the Coastal Act.

4. Archeological Resources

Section 30244 of the Coastal Act states:

Where development would adversely impact archaeological or paleontological resources as identified by the State Historic Preservation Officer, reasonable mitigation measures shall be required.

Since an archaeological study has not been provided for this project, it is not possible to assess the potential impacts the project may have on archaeological or paleontological resources onsite. The project site is not in area of known archaeological sensitivity. However, because construction of the basement floor requires significant excavation, with the potential of impacting unidentified archaeological or paleontological resources, the project has been conditioned to (1) require that an archaeological monitor be present during all construction and pre-construction activities that involve ground disturbance; (2) halt work within 150 feet if any human remains, intact cultural features or paleontological resources are discovered until such find can be evaluated by the archaeological monitor; and (3) if the find is determined to be significant, develop and implement

² A comprehensive assessment of Carmel's parking issues, though, will be needed in on-going LCP development, to assure that the Public Access policies of the Coastal Act will be met. This is particularly true in light of pending proposals to limit public parking through residential permit parking programs.

appropriate mitigation measures necessary to preserve and protect the archaeological and paleontological resources found on site. A final grading plan shall be required prior to commencement of construction.

As conditioned to suspend work and develop and implement appropriate mitigation measures if significant archaeological or paleontological materials are found during construction or excavation activities conducted on site, the proposed development is consistent with the archeological protection policies of Coastal Act Section 30244.

G. Local Coastal Programs

The Commission can take no action that would prejudice the options available to the City in preparing a Local Coastal Program that conforms to the provisions of Chapter 3 of the Coastal Act (Section 30604 of the Coastal Act). As described previously, the City is currently working on a new LCP submittal (both LUP and IP), funded in part by an LCP completion grant awarded by the Commission. The City has made progress on the LCP submittal and has indicated that they expect the Land Use Plan to be submitted for Commission review in April 2001, with submittal of the Implementation Plan expected by December 2001.

The Coastal Act provides specific guidance for issuance of coastal development permits in cases where the local jurisdiction does not have a certified LCP. Section 30604(a) of the Coastal Act states:

Prior to certification of the local coastal program, a coastal development permit shall be issued if the issuing agency, or the commission on appeal, finds that the proposed development is in conformity with Chapter 3 (commencing with Section 30200) and that the permitted development will not prejudice the ability of the local government to prepare a local coastal program that is in conformity with Chapter 3 (commencing with Section 30200). A denial of a coastal development permit on grounds it would prejudice the ability of the local government to prepare a local coastal program that is in conformity with Chapter 3 (commencing with Section 30200) shall be accompanied by a specific finding which sets forth the basis for that conclusion.

The City is currently in the middle of a community planning process to determine, among other things, the basis for defining Carmel's community character and ways to protect and preserve said character consistent with the Coastal Act. Until that time, Commission staff has been given guidance to use their best professional judgement to assess the individual and cumulative effect that projects such as this will have on the community character of Carmel.

The demolition and construction proposed by this project will not significantly change the community character of the area. The project proposes demolishing a structure that has been determined not to be of historical significance by the Carmel Historic Preservation Committee and Planning Commission, although the site has been designated of historical significance due to its association with Mary DeNeal Morgan, a well known artist of the community. The proposed

structure would be an addition to the existing Cypress Inn, which has been designated a historically significant resource, and would include a permanent display memorializing the historical significance of Mary DeNeal Morgan. The architectural style of the proposed addition has been deemed compatible with that of the Cypress Inn and will not change the community character of the area. Additional land use changes associated with the project (transfer of residential units from the Morgan site to the Nielsen Building, transfer of inn units from the Holiday House Bed and Breakfast, and its change in use to a single family dwelling) serve to bring each site into conformance with existing land use designations. The changes associated with these other sites involve interior remodeling and relatively minor exterior alterations (for the Holiday House only), which do not require a coastal development permit, and which will not change the community character of the areas involved.

Additionally, the in-lieu fee required for the net increase in parking will be put into an established in-lieu fee parking program, and the project will not otherwise impact public access or recreational opportunities available along the coast. Therefore, the Commission finds that the proposed project is consistent with Coastal Act Policy 30604(a) in that approval of the project has been found consistent with the Chapter 3 policies of the Coastal Act and will not prejudice development of the LCP in conformance with Chapter 3 policies of the Coastal Act.

H. California Environmental Quality Act (CEQA)

Section 13096 of the California Code of Regulations requires that a specific finding be made in conjunction with coastal development permit applications showing the application to be consistent with any applicable requirements of CEQA. Section 21080.5(d)(2)(A) of CEQA prohibits a proposed development from being approved if there are feasible alternatives or feasible mitigation measures available, which would substantially lessen any significant adverse effects that the activity may have on the environment. The Coastal Commission's review and analysis of land use proposals has been certified by the Secretary for Resources as being the functional equivalent of environmental review under CEQA. Accordingly, the Commission finds that the project as conditioned by this permit, along with the City's required conditions and mitigation requirements will offset any adverse effects that the proposed development might have.